EXHIBIT 225

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2012 Annual Quality and Regulatory (QRA) Report To The Audit Committee of the Board of Directors

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Chief Legal and Compliance Officer
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Shift in Regulatory Landscape

- DEA: Aggressive posture continues, with particular focus on distributors and national chain pharmacies
  - CVS: (License revocation on FL stores; still in litigation phase)
  - Cardinal Health: Lakeland DC (License suspension; settlement reached; U.S. Attorneys in states of Maryland, Washington State, Tennessee and Florida exploring possibility of fines)
  - Walgreens: Jupiter DC license suspended; actions expected against 6-8 FL stores (we do not sell controlled substances to those stores)
  - ABC: ABC disclosed Criminal Grand Jury Investigation in SEC quarterly filing involving NJ Pharmacy and ABC's anti-diversion program

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FY12 and FY13 YTD Pharmaceutical Segment Regulatory Inspection Performance

Business	Agency	No. of Inspections	Outcome	Status
Pharmaceutical Distribution	DEA	10	2 Observations. Observations related to documentation. 0 SOM Observations.	
NPS and Pharmacy Solutions	Redacted - Not Responsive			
	BoP, DEA	19	7 Observations	
Redacted - Not Responsive				
PharmPak, 3PL and SPS	DEA	3 DEA (1-SPD; 3PL)	0 Observations	
	Redacted - Not Responsive			
Kinray	FDA, State, DEA	2	0 Observations	
Redacted - Not Responsive				

Legend: Satisfactory | Improvement Needed | Unsatisfactory

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DEA: Major Changes to Our Anti-diversion Program to Meet Evolving Challenges

Before

- More focus on retail independent customers (considered higher risk)
- Significant reliance on Chain Customers internal systems to investigate unusual ordering patterns
- Focus on all controlled substances (equal focus on all drug families)
- Focus on suspicious customers – those most likely diverting
- Reliance on internal expertise (CAH Pharmacists) with periodic external gap assessments
- Limited interaction with upstream business partners and large downstream chain partners
- Single decision making process for most decisions (SOM Team)

Enhancements

- Increased focus on major retail chain customers
- More comprehensive review of chain customers' ordering patterns (Data analysis + Site visits)
- More focus on highly diverted controlled substance drug families
- More focus on suspicious orders regardless of our assessment of customer
- Greater reliance on external as well as internal expertise (CAH Pharmacists + former DEA Anti-diversion Experts)
- Greater interaction with upstream and large downstream chain partners
- Escalated decision making process for high risk/critical decisions
- Additional checks and balances, including committee review of higher volume customers

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DEA: Memorandum Of Agreement (MOA) Progress Update

MOA Requirements		QRA Progress	Requirements Met?
Site Visits	• Site visits in response to Suspicious Orders for FL Customers (starting Jun. 3)	▪ Identified 13 drug families most likely to be diverted ▪ Streamlined site visit templates ▪ Visited ~85 pharmacies in FL (May 14 – Sep. 7)	✓
	• Additional inspectors for FL	▪ Contracted third party investigators ▪ Added 2 full-time FL investigators (7 total nationwide)	✓
	• Site visits in response to suspicious orders nationwide (starting Sep. 11)	▪ Established same enhanced procedures and policies nationwide on Sep. 1	✓
Establish Purchase Alert Limits (Thresholds)	• Review and enhance QRA processes for threshold setting	▪ Re-set thresholds for oxycodone and hydrocodone for ALL pharmacy customers ▪ On track to apply new threshold setting methodology by Nov. 1, 2012 to the 11 additional drug families most likely to be diverted	✓
	• Institute 2-person approval for increasing thresholds for larger volume customers for specific drug families	▪ Executed for large volume customers ▪ Developed and executing approval process for all pharmacy customers	✓
Large Volume Review Team	• Create Large Volume Review Team (LV-TAC) to perform deeper assessments of stores ordering larger volumes of higher risk drugs	▪ Formed multi-discipline team (SVP QRA, Regulatory Counsel, VP of Anti-diversion program, outside DEA advisor) ▪ Conduct weekly/bi-weekly LV-TAC review meetings ▪ Reviewed ~460 stores (~190 independent and ~270 chain)*	✓
Suspicious Orders	• Report all suspicious orders to DEA whether we believe the customers are good or bad	▪ Reported thousands of Suspicious Orders (SO) for 559 unique customers (101 in FL) for SOs nationwide* ▪ On track to execute accrual changes on Nov. 1, 2012 ▪ Developed DEA metrics-driven framework for customer profiling	✓
Due Diligence	• Enhance customer due diligence (including chains)	▪ Developed Sales Site Visit process ▪ QRA and Sales visited ~725* and ~750** customers, respectively (1,475 customers total) ▪ Terminated 126 (17 in FL) customers nationwide*	✓

*Jan. 01– Aug. 31, 2012, ** Aug. 01- Sep. 10, 2012

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DEA: Relevant Cardinal Health Program Metrics

Category	FY10	FY11	FY12	2011 / 2012 Variance
Number of pharmacy site inspections by CAH	325	498	1,475	+414 (+83%)
Number of suspicious orders reported to the DEA	30	47	3,020*	+2,973 (+6,326%)
Number of customers blocked by QRA from purchasing controlled substances	60	36	218	+182 (+506%)
Number of prospective customers blocked by QRA from purchasing controlled substances	N/A*	18	27	+9 (+50%)

* Prior to 2012, Cardinal Health followed the industry practice of focusing reports on orders by suspicious customers – those determined to be of interest to the DEA as potential diverters. Cardinal Health now reports all suspicious orders.

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DEA: Anti-diversion Educational Tools/Programs for Customers

- Increased focus on educating customer pharmacists on detecting potential diversion and understanding their corresponding responsibility required under the regulations to ensure that prescriptions are filled for a legitimate medical purpose.
- Provided educational materials to pharmacy customers (both community and chain)
- Provided multiple live Pharmacy Continuing Education courses to retail independent pharmacy customers at our Annual National Retail Business Conference (RBC) sales meeting (July 2012)
- Working closely with customers to engage with them when potential issues are identified

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DEA: Continuing Areas of Focus Going Forward

- High volume customers – focus on volume regardless of pharmacy's patient base or the prescriptions' seeming legitimacy
- Large chain customers – can't rely on the controls of large, publicly traded chains; will also conduct our own due diligence
- Changing nature of diversion – drug abuse continually shifting
  - Today = Oxycodone; Tomorrow?
  - Today = Florida; Tomorrow?
- DEA's approach presents challenges unlike other regulators:
  - Enforcement mindset leads to:
    - Less engagement with industry
    - Limited guidance or notice
  - In response, we are engaging with former DEA attorneys and consultants, as well as attempting to obtain informal guidance from local offices

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